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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 004391

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SUBJECT: A/S WAYNE,S MEETING WITH JORDAN CENTRAL BANK  
GOVERNOR TOUQAN

Classified By: A/DCM Christopher Henzel for Reasons 1.4 (b), (d)

1. (C) SUMMARY: In meetings on the margins of the BMENA Trade and Investment Finance Conference held in Amman May 18, EB Assistant Secretary E. Anthony Wayne raised with Jordan Central Bank Governor Umayya Touqan counter terrorism financing and anti-money laundering issues, including the Arab Bank case. At Wayne,s request, Touqan provided an update on the CBJ,s requirements that Arab Bank improve its procedures. Wayne then urged Touqan to set a clear deadline for the Arab Bank,s compliance. The CBJ Governor noted the importance that the CBJ places on AML/CFT controls and expressed his hope that an anti-money laundering law currently before Jordan's Parliament would give the GOJ a powerful CT tool. He said that the GOJ is pressing for the AML bill's passage and that it is one of the government,s "top priorities." Touqan also gave a broad assessment of the Jordanian economy, noting generally good progress with the exception of a widening budget deficit. He remarked that a more flexible foreign exchange currency basket was in Jordan,s interest but noted it would take some preparation. END SUMMARY.

2. (U) Accompanying A/S Wayne was Charge David Hale, Econ/C Richard Eason and Econoffs (notetakers).

CBJ Governor: Taking the Side of OCC,  
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3. (C) A/S Wayne began the meeting with CBJ Gov. Touqan by noting that he would be testifying soon on the subjects of AML/CFT activity and specifically on the Arab Bank (AB). He noted that he had seen CBJ's correspondence with Treasury on AB's worldwide AML controls.

4. (C) Touqan said that he had been trying to work with Treasury and had sent (CBJ Dep. Gov.) Faris Sharaf to Washington twice to try to open a channel of communication to ensure that efforts of Treasury/US regulators and CBJ were coordinated. Touqan observed that the NBC TV report appeared biased and riddled with errors and said that AB was planning to sue NBC over it. He pointed out the difference between "taking the initiative" to finance terrorist organizations and making transfers to non-blacklisted organizations at the request of non-blacklisted account holders (e.g., Saudi and multilateral funds).

5. (C) A/S Wayne noted that much of the congressional committee's criticism of AB was that it didn't meet required standards for AML CFT compliance in the United States.

6. (C) Touqan said this was also OCC's criticism; CBJ backed it to the hilt. "AB was complaining that we were taking the side of the OCC against them," he said, noting that the CBJ was after all a regulator. AB/NYC's problem was that they were not filing enough suspicious action reports (SARs); this was because the manager of the NYC branch had taken the decision, on his own authority, to limit the number of SARs filed. He shouldn't have had the authority to make a decision like that without consulting Arab Bank HQ, Touqan opined. CBJ advised AB to hire a firm to advise them on how to keep all branches up to standard and AB has done so, he noted. CBJ would give AB a period of time to upgrade and see at the end of that period how they have done.

7. (C) A/S Wayne asked if the CBJ had given AB a deadline to implement these changes; Touqan said that they had not but that this was a good idea. Wayne reiterated that CBJ should do so. He noted that the continuing civil suits against AB would be a continuing source of bad publicity for the bank and by extension Jordan's banking sector. The GOJ needs to show its seriousness in cleaning up bank practices.

AML Law one of GOJ,s "Top Priorities"  
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8. (C) Wayne inquired about the pending anti-money laundering (AML) law. Touqan noted that it had taken nearly

two years to convince even the Cabinet to approve it, as some ministers paradoxically thought it would reduce investment flows. Now the GOJ would need to lobby hard with Parliament to get it passed. It would be tough, but it was one of the GOJ's "top priorities", he noted. Touqan had already heard from Parliamentarians the same wrongheaded objections to the law on investment grounds; Parliament also thought it would violate human rights. Touqan added that the AML was needed, as there was not currently any criminal liability in Jordan's legal code for participating in money laundering - only administrative penalties.

#### Economic Priorities -----

19. (C) A/S Wayne asked for Touqan's views on Jordan's macroeconomic situation. Touqan noted that in general the economy looked good except for the GOJ budget deficit. CBJ had consulted with Minister of Finance Bassem Awadallah on this and had come up with three priorities: (1) the GOJ needed to reduce staffing - while this is hard to do for political reasons, it is necessary, as the vast majority of GOJ expenditures go to keep these people employed; (2) increase revenues - income tax take is minimal because of collection problems; the solution might be a flat tax at a reasonable level such that avoidance wouldn't be worth the trouble and risk; (3) speed up privatization - recent privatizations have taken three years but shouldn't take more than three months, he noted.

10. (C) In general, the economy seemed to be going well, he noted. CBJ's priority was price stability, of which people were now beginning to feel the benefits. The U.S. should take credit for this, he observed.

11. (C) Charge inquired about current CBJ thinking on exchange rate policy. Touqan replied that he thought that going to a more flexible policy was in the interests of Jordan, but that it would require some preparation, as the market is very sensitive to perceived weakness in the JD. Touqan didn't want to repeat the experience of the Egyptians who floated their pound and saw it immediately lose 40 percent of its value.

12. (U) A/S Wayne cleared this cable.  
HALE